



Community Meeting on Renters' Concerns

Monday, March 20, 2017

Library Community Room,
1115 El Centro Street



Purpose of Meeting

- Review available policy options for Ad-Hoc Committee to consider
- Provide a forum for organized groups and individuals on all sides of the issue to present their viewpoints



Agenda for the Evening

- Review Initial Findings by City Staff
- Receive Input from Organized Constituent Groups
- Submission of Questions on the Presentation to the Ad-Hoc Committee
- Public Comment
- Next Steps



Review of Initial Findings

Christopher Castruita,
Management Analyst



To submit a question....

1. Fill out a question card
2. Submit to a City staff member, along with your contact information
3. City staff will collect questions and respond to any that can be answered in immediately
4. Any requiring additional research will be responded to via email or telephone, and published to the City's website.



What is Rent Stabilization?

Review of Initial Findings



Key Terms

- Classic Rent Control
- Costa Hawkins Rental Housing Act
- Costa Hawkins Rent Stabilization
- Vacancy Decontrol



Classic Rent Control

- Implemented by multiple Cities prior to 1995
- Typically, established a ceiling or maximum allowable rent for certain types of rental units
- **Costa Hawkins Rental Housing Act sought to do away with Classic Rent Control**
- Unavailable to Cities in California who did not pass Rent Control laws before 1995
- Forms of this still exist in Cities of Berkeley, Los Angeles, Santa Monica, West Hollywood, etc.



Costa Hawkins Rental Housing Act

- California State Law passed in 1995
- Establishes rules for Rent Stabilization policies in Cities
 - Disallows setting of Maximum Allowable Rent
 - Instead allows Cities to regulate the rate of increase from “initial rent” set by Property Owner
- Exempts certain types of housing:
 - Housing constructed after February 1, 1995
 - Housing that was already exempt from a local rent control law
 - Single family homes, condominiums, and other units that are separate from the title to any other dwelling units



Costa Hawkins Rent Stabilization

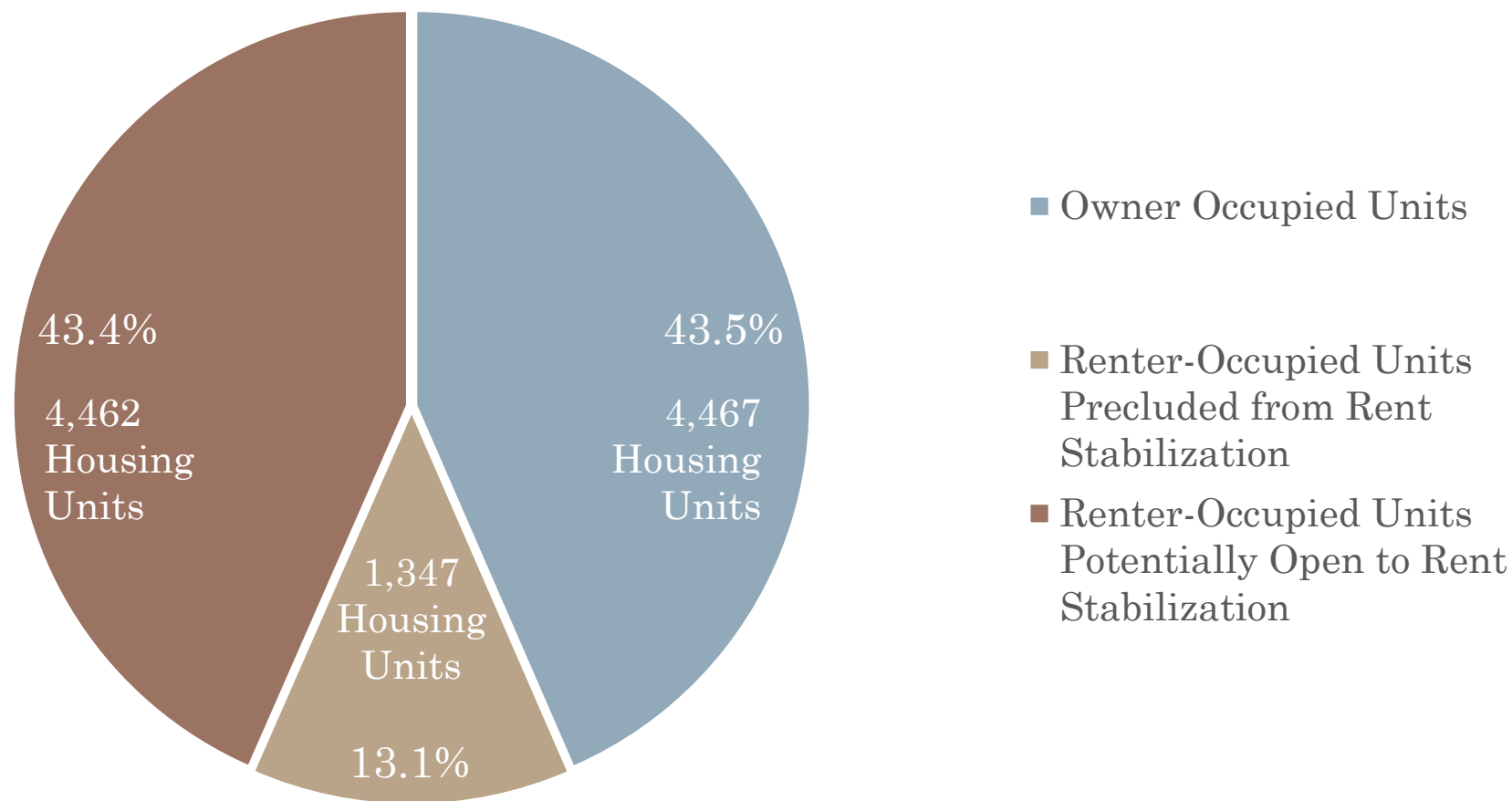
- First step is to establish “initial rent” for each unit
 - Normally established at market rate
- Under most **Rent Stabilization** policies, can be adjusted:
 - Once each year when unit has a tenant
 - Amount of increase can be limited to a maximum percentage
 - Must allow an opportunity for owner to show need for larger adjustment to protect reasonable rate of return
 - Whenever **Vacancy Decontrol** takes effect



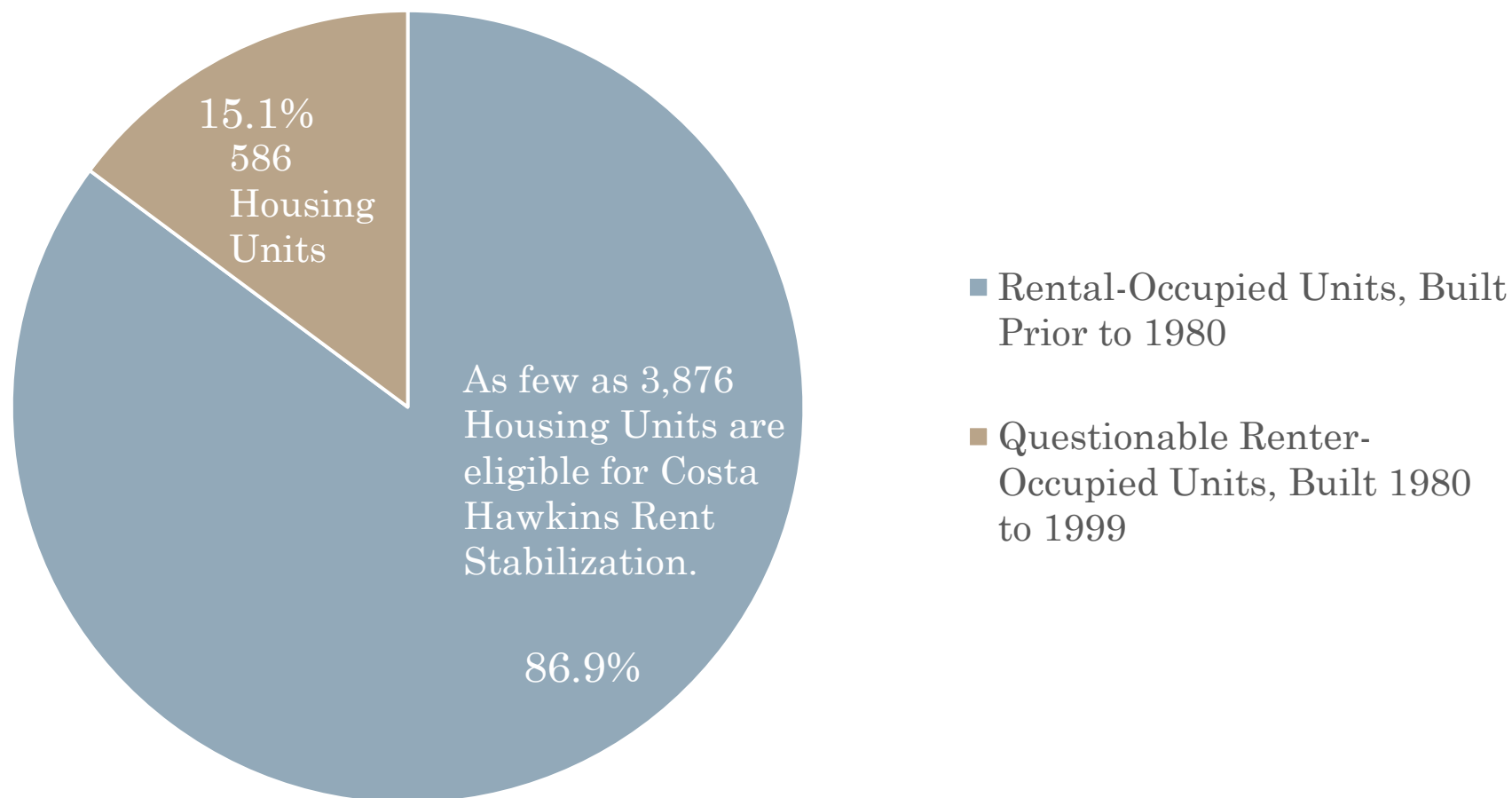
Vacancy Decontrol

- Established in **Costa Hawkins Rental Housing Act**
- Rental property owners may establish a new initial rental rates when a tenant moves out of the unit
- Not allowed if:
 - Owner terminates tenancy with a 30-day or 60-day Notice per Civil Code Section 1946.1
 - Owner terminates a government contract for housing
 - Unit was found to be substandard housing

Estimated Structures in South Pasadena Subject to Costa-Hawkins Rent Stabilization



Renter-Occupied Units Potentially Eligible for Rent Stabilization





Alternatives to Rent Stabilization

Review of Initial Findings

What are the available alternatives to rent stabilization?

1. Enact a Just-Cause Eviction Ordinance
2. Strengthen Rent Mediation Process





What is a Just Cause Eviction Ordinance?

- Landlord is expected to demonstrate just cause to terminate a tenancy
 - City may set up a process to review claims of wrongful termination of tenancy
 - City does not ultimately control process-- Court system does
 - City cannot grant or deny an order for eviction
 - Owner must go to Court and seek unlawful detainer to actually evict (remove) a tenant

What is a Rent Mediation Process?



- Establishes a process for resolution of tenant/landlord disputes concerning rent increases, housing services or proposed evictions
- Applies to all rental units—not just Costa Hawkins units
- Requires landlord to notify the tenant that a mediation process exists
- Provides a venue for both tenant and landlord to engage in mediation process when certain criteria are met
- Does not require any specific outcome. Any resulting resolution remains the voluntary choice of the parties—however, non-cooperation can be publically reported at City Council meeting.



Local Rental Market Conditions

Review of Initial Findings



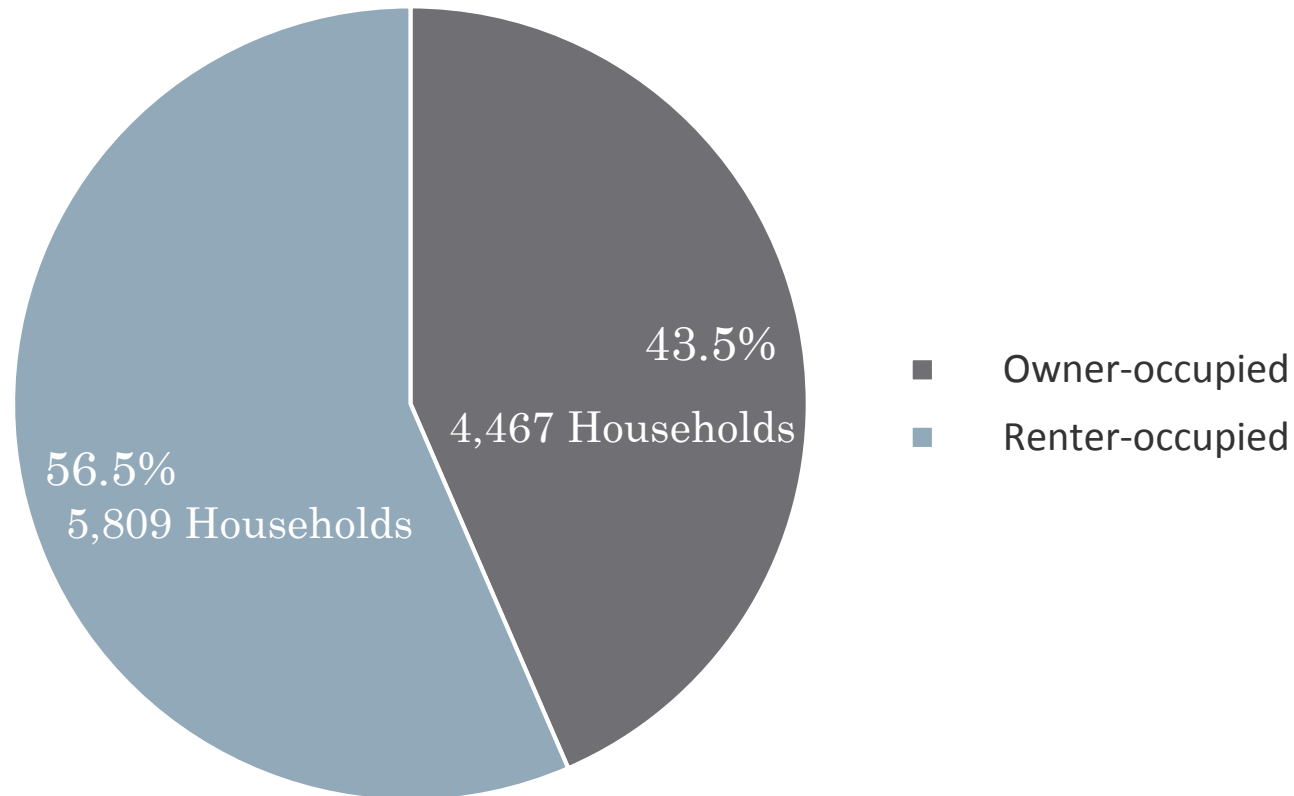
Key Terms

- Household: a householder and one or more other people who share their residence. Includes both family and non-family.
- Cost Burdened: household that pays more than 30% of their income for housing. Can include renters and home owners.
- Very low income: Household income of 50% or less of the County Median Income
- Low income: Household income between 50 and 80 percent of the county median income
- Moderate income: Household income between 80 and 120 percent of the county median income
- Above moderate income: Household income above 120 percent of the county median income

Most South Pasadena Households are Renter-Occupied

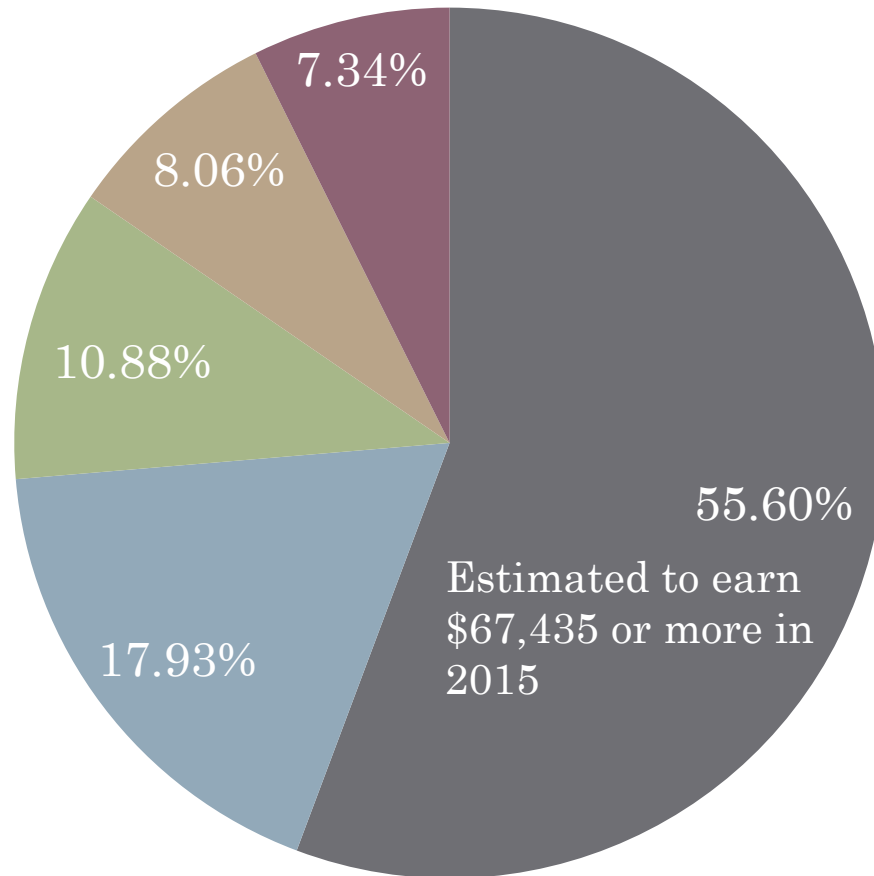


Comparison of Rental Units to Owner-Occupied Units in South Pasadena





Household Income in South Pasadena



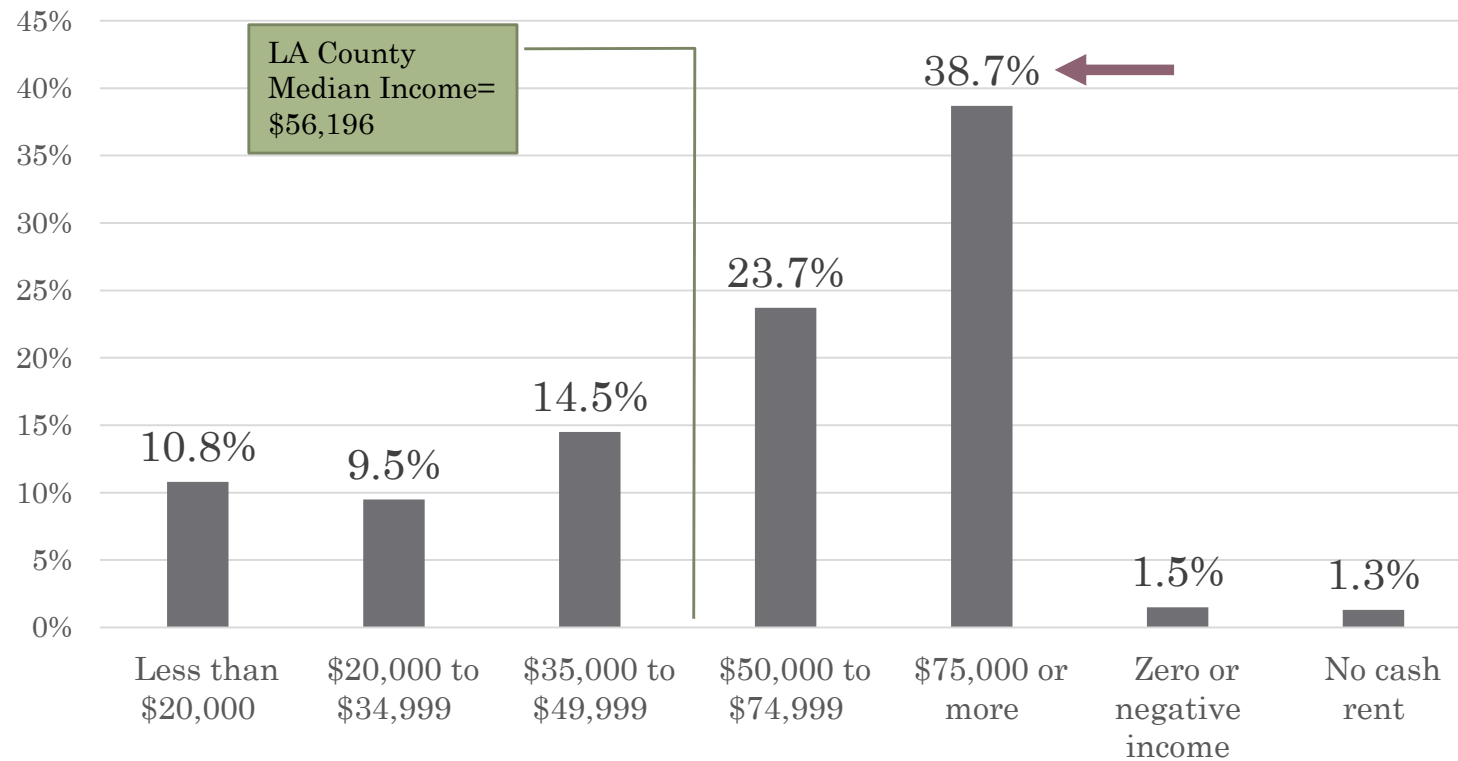
- Greater than 120% of Median Income (\$56,196.00)
- Moderate Income (Between 80-120% of Median)
- Low Income (Between 50-80% of Median)
- Very Low Income (Between 30-50% of Median)
- Extremely Low Income (Less than 30% of Median)

Source: Estimates based on American Communities Survey, Table S1901 Income in the Past Twelve Months (In 2015 Inflation-Adjusted Dollars)

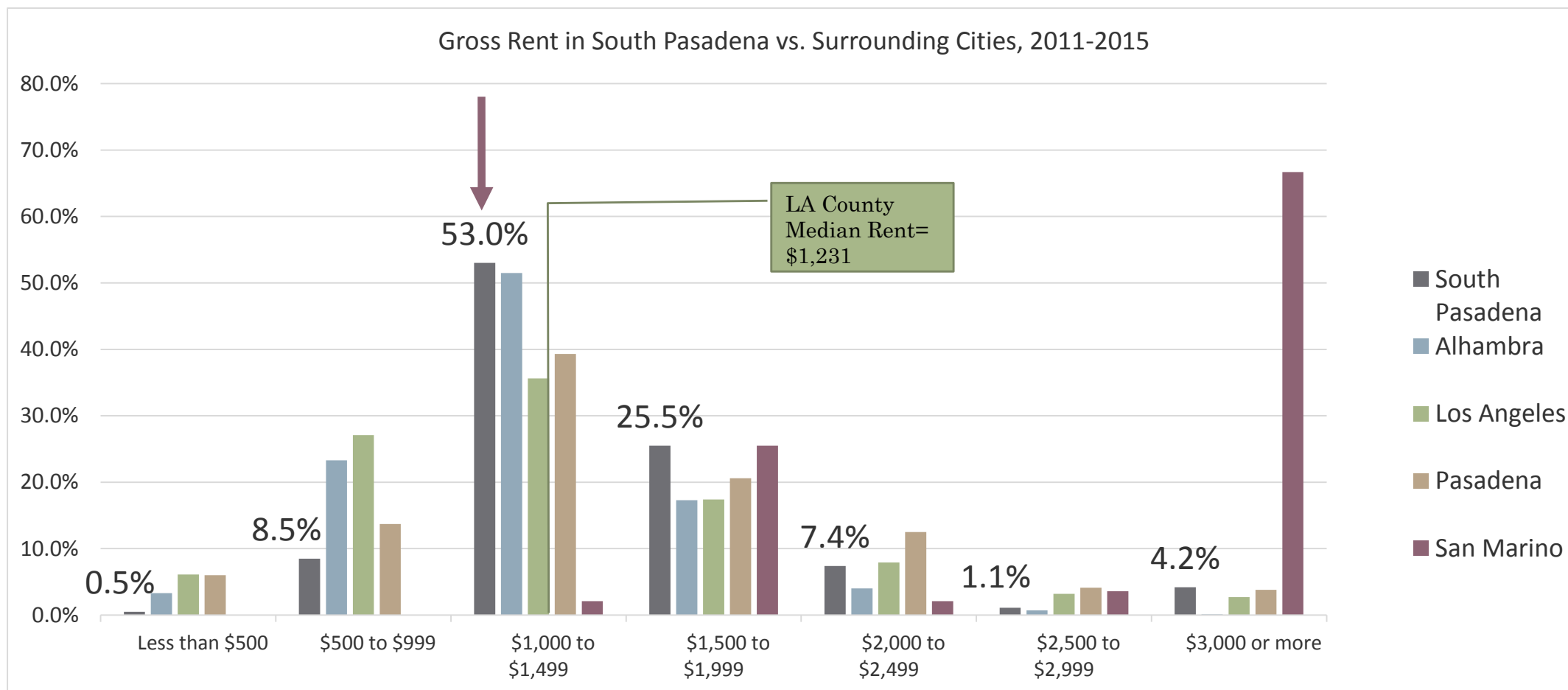
Most renting households are moderate income or above moderate income households



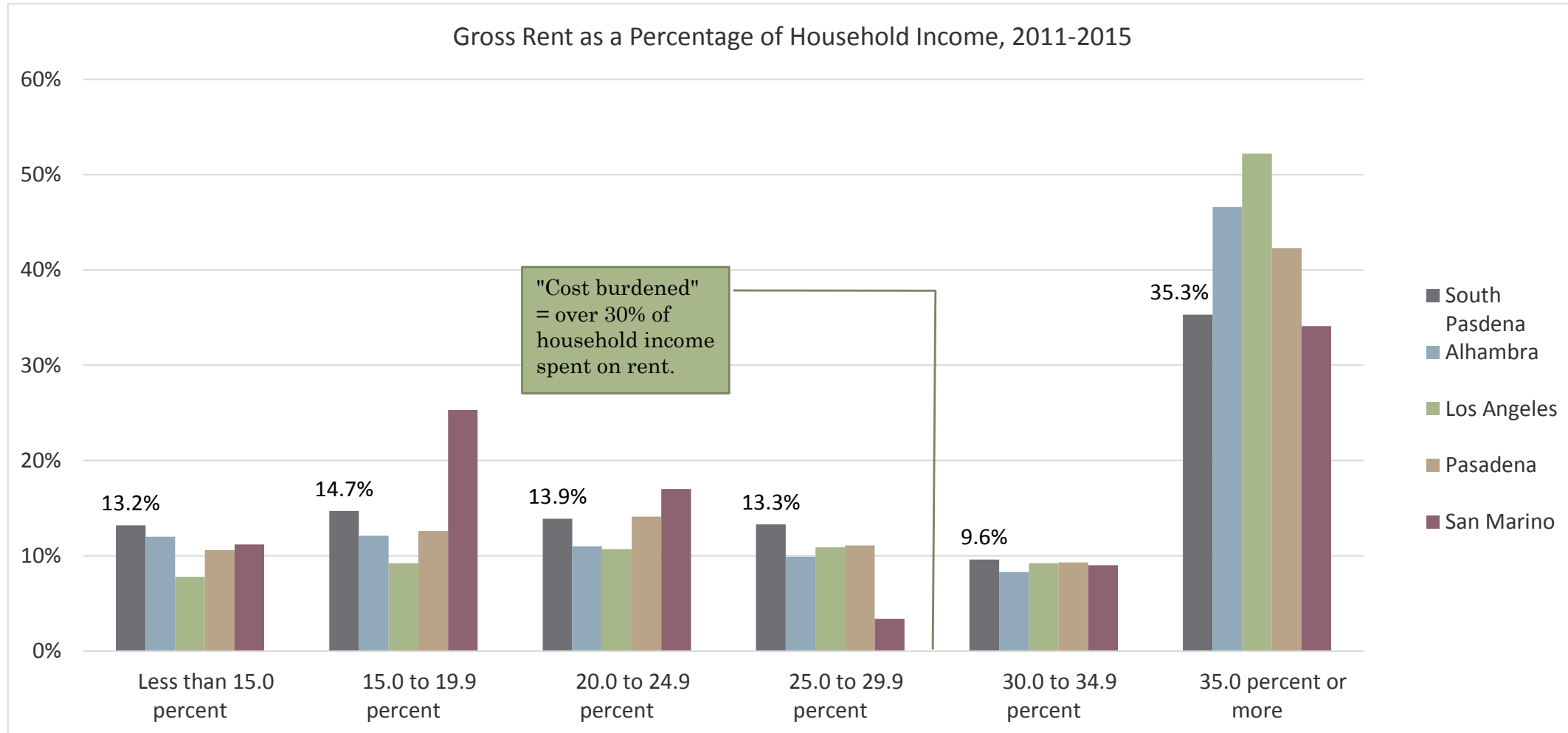
Estimated Household Income in 2015 for South Pasadena Renter-occupied housing units



Most of the rental housing is priced for moderate or above moderate income households



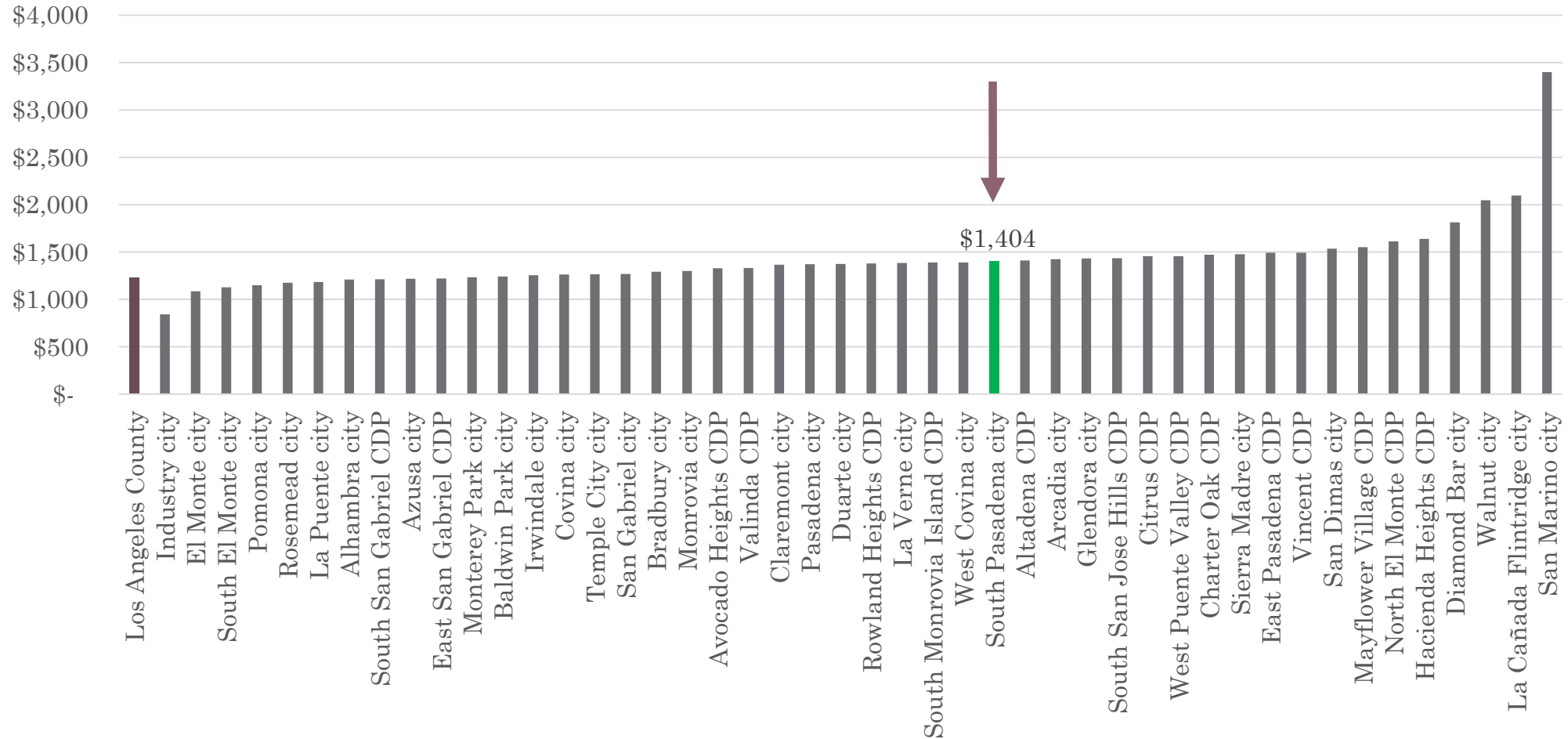
A high percentage of renters are experiencing high rents, but this problem is not exclusive to South Pasadena



Median Rent in South Pasadena does not appear to be above market



Gross Median Rent in San Gabriel Valley Communities, 2011-2015 Estimate





Rent Stabilization Programs in California

Review of Initial Findings

13 Cities out 482 in California found to have enacted Rent Control or Costa Hawkins Stabilization Policies



Berkeley	Palm Springs
Beverly Hills	Richmond
East Palo Alto	San Francisco
Hayward	San Jose
Los Angeles	Santa Monica
Los Gatos	West Hollywood
Oakland	



City	Year Implemented	Type of Enforcement	No. of Units in Program
Berkeley	1980	Active Enforcement	21,000
Beverly Hills	1978	Moving from Complaint Based to Active Enforcement	8,853
East Palo Alto	1983	Active Enforcement	2,507
Hayward	1983	Complaint Based	Unknown
Los Angeles	1978	Complaint Based	638,000
Los Gatos	1980	Complaint Based	Unknown
Oakland	1980	Complaint Based	60,000
Palm Springs	1980	Active Enforcement	3,505
Richmond	2016	Active Enforcement	Unknown
San Francisco	1979	Complaint Based	171,000
San Jose	1979	Active Enforcement	45,166
Santa Monica	1979	Active Enforcement	26,335
West Hollywood	1984	Complaint Based	16,895



City	Estimated Cost (FY2016-2017)	Fee Per Unit
Berkeley	\$ 4,555,000.00	\$ 194.00
Beverly Hills*	\$ 131,008.92	\$ 54.00
East Palo Alto	\$ 485,300.00	\$ 234.00
Hayward	\$ 4,929,328.00	\$ 41.00 or \$10 per Unit for 5 or More
Los Angeles	\$ 15,571,892.00	\$ 25.00
Los Gatos	Unknown	Unknown
Oakland**	\$ 2,756,708.00	\$ 68.00
Palm Springs	\$ 75,906.00	\$ 12.00
Richmond**	Implemented after Budget Passed	Registration Fee-- \$79.00; Initial Inspection - \$157.00; Re-Inspection Fee-- \$66.00
San Francisco	\$ 6,700,000.00	\$ 36.00
San Jose	\$ 572,160.00	\$ 12.50
Santa Monica	\$ 4,755,170.00	\$ 175.00
West Hollywood	\$ 1,406,405.00	\$ 120.00



City	Fee Per Unit	Avg. Cost per unit to Implement Rent Stabilization	Fee Minus Cost
Berkeley	\$ 194.00	\$ 216.90	\$ (22.90)
Beverly Hills*	\$ 54.00	\$ 14.80	\$ 39.20
East Palo Alto	\$ 234.00	\$ 193.58	\$ 40.42
Los Angeles	\$ 25.00	\$ 24.41	\$ 0.59
Oakland**	\$ 68.00	\$ 45.95	\$ 22.05
Palm Springs	\$ 12.00	\$ 21.66	\$ (9.66)
San Francisco	\$ 36.00	\$ 39.18	\$ (3.18)
San Jose	\$ 12.50	\$ 12.67	\$ (0.17)
Santa Monica	\$ 175.00	\$ 180.56	\$ (5.56)
West Hollywood	\$ 120.00	\$ 83.24	\$ 36.76



Impartial Analyses of Rent Stabilization Programs

Review of Initial Findings



Economists are pessimistic on the effectiveness of rent stabilization

Do Rent Stabilization Programs...					
Author	Inhibit Growth of New Rental Housing?	Cause Owners to Underinvest in Maintenance and Improvements?	Reduce Tenant Mobility within the Rental Market?	Reduce Rental Property Values?	Allocate Benefits to Lower Income Households?
Richard Arnott, American Economic Association	Maybe	Yes	Maybe	Yes	N/A
Anthony Downs, Brookings Institution	No	Maybe	Maybe	Yes	Maybe
Mark Frankena, Massachusetts Institute of Technology	Yes	N/A	N/A	N/A	N/A
Edward L. Glaeser, Harvard	Yes	Yes	Yes	N/A	No
Joseph Gyourko, University of Pennsylvania	N/A	Maybe	Yes	N/A	Maybe
Ned Levine, University of California Los Angeles	N/A	N/A	Yes	N/A	Yes
Peter Linneman, University of Pennsylvania	N/A	Maybe	Yes	N/A	Maybe
David P. Sims, Brigham Young University	Maybe	Maybe	Yes	N/A	No
Scholarly Consensus	Yes/Maybe	Maybe	Yes	Yes	Maybe



Case Studies

Review of Initial Findings



Case Studies

- City of West Hollywood* – Rent Stabilization
- City of Campbell – Mandatory Mediation Process
- City of Glendale – Just Cause Eviction Ordinance

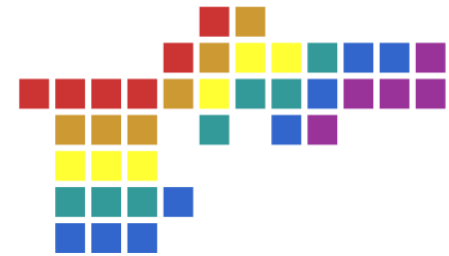
*Note: The City of West Hollywood has units that are under Classic Rent Control. Will only focus on aspects of program that are consistent with Costa Hawkins Rent Stabilization



Case Study – City of West Hollywood

Rent Stabilization

- Location: Los Angeles County, Bordered by City of L.A.
- POPULATION: 35,332
- SQUARE MILEAGE: 1.887 mi²
- MEDIAN INCOME: \$56,317
- RENTER OCCUPIED UNITS: 17,643
- RENTAL UNITS IN PROGRAM: 16,832



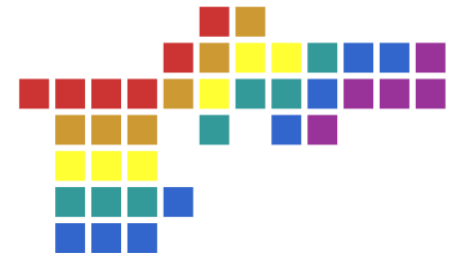
City of West Hollywood
California 1984



Case Study – City of West Hollywood

Rent Stabilization

- Year Established: 1984
- Services:
 - In-house counseling services and education on rights and responsibilities of all parties
 - Calculate and announce the General Adjustment rent increase
 - Investigate complaints of violations of Rent Stabilization Ordinance.
 - Maintain a database of registered rental units
- Staffing Level: 7 FTE's
- Program Expenses: \$1,406,405 estimated
- Program Revenues: \$1,855,000 in FY16-17

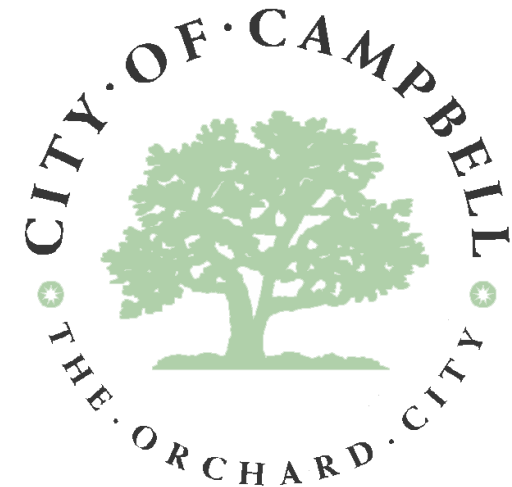


City of West Hollywood
California 1984

Case Study – City of Campbell

Mandatory Mediation Process

- Location: Santa Clara County, Southwest of San Jose
- POPULATION: 40,688
- SQUARE MILEAGE: 5.886 mi²
- MEDIAN INCOME: \$96,906
- RENTER OCCUPIED UNITS: 7,752
- RENTAL UNITS IN PROGRAM: 4,900 approx.

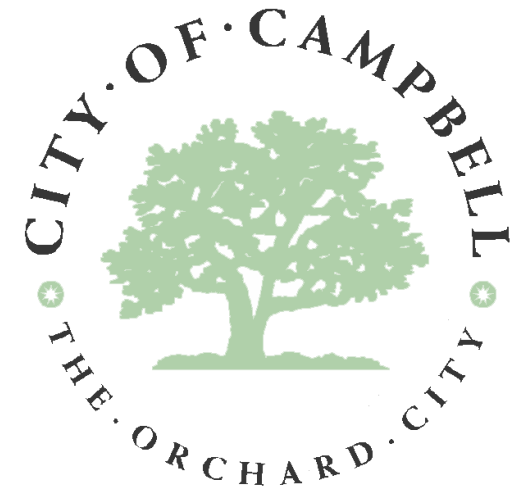




Case Study – City of Campbell

Mandatory Mediation Process

- Year Established: 1998
- Services:
 - Counseling services and education on rights and responsibilities of all parties
 - Conciliation, and mediation on their rights and responsibilities.
 - Participation in the program is mandatory, but the outcome is advisory.
- Staffing Level: 0 FTE's
 - Contract with a Non-profit agency for Services
- Program Expenses: \$55,000 in FY2016-17



Case Study – City of Glendale

Just Cause Eviction Ordinance

- Location: Los Angeles County, San Fernando Valley
- POPULATION: 196,984
- SQUARE MILEAGE: 30.58 mi²
- MEDIAN INCOME: \$52,574
- RENTER OCCUPIED UNITS: 46,263
- RENTAL UNITS IN PROGRAM: Unknown



Case Study – City of Glendale

Just Cause Eviction Ordinance

- Year Established: 2002
- Services:
 - Counseling services and education on rights and responsibilities of all parties
 - Investigate complaints of unlawful eviction and issues relating to the termination of a tenancy
 - Sets the relocation assistance fee
- Staffing Level: 0 FTE's
 - Contract with a Non-profit agency for Services
- Program Budget: \$9,000 annually





Responses from Organized Constituent Groups

Monday, March 20, 2017



Housing Rights Center

Chancela Al-Mansour, Executive Director



Apartment Association of Greater Los Angeles

Fred Sutton, Director of Government Affairs



California Apartment Association

Beverly Kenworth, Vice President of Public Affairs



Pasadena Foothill Association of Realtors

Laura Olhasso, Government Affairs Director



To submit a question....

1. Fill out a question card
2. Submit to a City staff member, along with your contact information
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4. Any requiring additional research will be responded to via email or telephone, and published to the City's website.



Public Comment

- Complete a Comment Card
- Proceed to the front of the room
- Maximum of three minutes per comment
- Please be respectful of your fellow community members



Next Steps

- The Ad-Hoc Committee will respond to questions as soon as feasible
- The input received will be reviewed by the Ad-Hoc Committee
- A policy recommendation will be presented to the City Council as part of a Study Session later this year



Thank you for participation.

For follow-up questions or inquiries, please contact Christopher Castruita, Management Analyst, at ccastruita@southpasadenaca.gov.

Go to www.southpasadenaca.gov/rent for additional information.